Instructions for Completing the
GASB 96 SBITA Modification Template Workbook

I. Background

Under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs),* a government is required to recognize a subscription liability and an intangible asset representing the government's right to use the SBITA asset. The provisions of a SBITA contract may be amended while the contract is in effect. The contract amendments that change the SBITA contract provisions, including price updates, term changes, adding or removing underlying IT assets, and changing the variable payment index or rate. An amendment should be considered a modification unless the government's right to use the underlying IT assets decreases, which would be considered a partial or full SBITA termination.

A. Modification

A modification would be treated as a separate SBITA arrangement only if **both** of the following conditions are present:

- A modification that gives the department an additional subscription asset by adding access to more underlying IT assets that were not included in the original SBITA contract.

- The increase in subscription payments for the additional subscription does not appear to be unreasonable based on the amended contract terms and professional judgment, maximizing the use of observable information (i.e., readily available observable standalone prices).

Unless a modification is reported as a separate SBITA, the department should account for a SBITA modification by remeasuring the subscription liability. At remeasurement, the subscription asset should be adjusted by the same amount as the subscription liability. If the change reduces the carrying value of the subscription asset to zero, any remaining amount must be reported in the resource flows statement (i.e., a gain).

GASB 96 requires departments to remeasure the subscription liability and update the discount rate when one or more of the following changes have occurred and are expected to *significantly* subscription liability:

- Change in subscription term.
- Change in estimated amounts for subscription payments already included in measurement of subscription liability.
- Change in the interest rate the SBITA vendor charges the government, if used as the initial discount rate.
- Resolution of a contingency, upon which some or all of the variable payments that will be made over the remainder of the subscription term are based and now meet the criteria for measuring the subscription liability.

A subscription liability is *NOT* required to be remeasured solely for ordinary increases to subscription payments already included in measurement of subscription liability.

A subscription liability is *NOT* required to be remeasured solely for a change in an index or a rate used to determine variable payments.

A subscription liability is **NOT** required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in the incremental borrowing rate.

B. Terminations

The department must account for an amendment during the reporting period resulting in a decrease in their right to use the underlying IT assets as a partial or full SBITA termination (i.e., the subscription term is shortened or the underlying IT assets are reduced).

The department generally must account for the partial or full SBITA termination by reducing the carrying values of the subscription asset and subscription liability and recognizing a gain or loss for the difference.

Refer to the GASB 96 SBITA Remeasurement and Modification Guidance for guidance on when it is appropriate to modify SBITA contracts.

II. Template Scope and Applicability

Modified Contract type:

The template is limited to remeasurement or termination, and the original contract was entered into the GASB 96 SBITA Template Workbook. Only remeasure the SBITA liability if the changes are *significant*. A SBITA liability is *not* required to be remeasured solely for a change in the department's incremental borrowing rate. Departments must retain copies of completed payment tables generated by the template, alongside the modified contracts, when they qualify as remeasurement or termination to serve as audit evidence. If selected for an audit, the California State Auditor (CSA) may request copies of the SBITA modification templates and modified SBITA contract.

III. Template Worksheets

A. Contract Worksheets

For each modified contract, populate the following tabs:

1. Modification (No.) Input tab

This tab serves as the input worksheet to capture all relevant information on the modified contract that is needed to calculate the present value of future payments and the amortization of the SBITA asset.

Red font with yellow highlighting in the "Modification Input" worksheet indicates cells where information is entered to yield results from the template. After entering information in the "Modification Input" worksheet, you may elect to include a printout of the completed "Modification Input" worksheet stored with the modified contract.

Please do not attempt to make any changes to the cells that are not highlighted in yellow. These fields are automatically populated based on information entered in the yellow highlighted cells.

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a. Contract Information

Enter the following information related to the modified contract, using its related modified contract information:

- **Asset Description**—provide a description identifying the type of SBITA asset in the modified contract.

- **Annual Interest Rate**—Update the discount rate as part of the remeasurement if there is a change in the subscription term, and that change is expected to significantly affect the liability amount.

  If the discount rate is required to be updated, the discount rate should be based on the revised interest rate the SBITA vendor charges the government at the time the discount rate is updated. If that interest rate cannot readily be determined, use the "GASB 96 Incremental Borrowing Rate" for the applicable subscription term published on the SCO website.

  The annual change in incremental borrowing rate does NOT qualify (on its own) as a justification for remeasurement.

- **Business Unit Name**—enter your department's name.

- **Business Unit (Organization Code)**—enter your department's UCM organization code.

- **Fund Paying Contract**—enter the fund number paying the contract. If multiple funds pay for the contract, write all the funds.

- **Is this a proprietary fund?** —select "Yes" if the fund paying the contract is an enterprise or internal service fund.

- **Fund Type**—from the dropdown menu, select if the fund paying the contract payment is a governmental fund, internal service fund, or enterprise fund.

- **Is the payment at the beginning or the end of the month?** — Select "beginning" for payments made in the first half of the month or "end" for payments made in the latter half of the month.

- **Is this an early termination?**— select "No" if this is NOT an early termination for this reporting fiscal year to write off the asset and liability. Then enter the information for the following:
  - **Obligation Balance at the End of the Month before Contract Modifications**—enter the obligation balance just before the contract modifications from the original contract input tab of the GASB 96 SBITA Workbook *(e.g., if the SBITA contract was modified on September 15, 2023, use the ending or beginning monthly obligation balance amount in August 2023 from the original contract monthly payment information)*.

  - **Accumulated Amortization at the End of the Month before Contract Modifications**—enter the accumulated amortization balance just before the contract modifications from the original contract input tab of the GASB 96 SBITA Workbook *(e.g., if the SBITA contract was modified on September 15, 2023, use the accumulated amortization amount in August 2023 from the original contract monthly payment information)*.

- **RTU Asset Carrying Value at the End of the Month before Contract Modifications** — enter the right to use asset, carrying value balance just before the contract modifications from the original contract input tab of the GASB 96 SBITA Workbook. It would be the initial asset value less the accumulated amortization at the end of the month before the contract modifications *(e.g., if the SBITA contract was modified on September 15, 2023, use the right to use asset, carrying value at the end of the month amount in August 2023 from the original contract monthly payment information).*

- **Enter Current Year (CY) Totals before contract modifications from the original contract input tab of the GASB 96 SBITA Workbook, if any.**"

  - **CY Interest Total**—enter the sum of the current year interest payments before contract modifications from the original contract input tab of the GASB 96 SBITA Workbook *(e.g., if the SBITA contract was modified on September 15, 2023, use the sum of the interest payments from July to August 2023 from the original contract monthly payment information).*

  - **CY Principal Total**—enter the sum of the current year principal payments before contract modification from the original contract input tab of the GASB 96 SBITA Workbook *(e.g., if the SBITA contract was modified on September 15, 2023, use the sum of the principal payments from July to August 2023 from the original contract monthly payment information).*

  - **CY RTU Asset Amortization Total**—enter sum of the current year right to use asset monthly amortization amounts before contract modification from the original contract input tab of the GASB 96 SBITA Workbook *(e.g., if the SBITA contract was modified on September 15, 2023, use the sum of the right to use asset amortization from July to August 2023 from the original contract monthly payment information).*

    Note that if the contract was modified in the month of July, the CY Interest Total, CY Principal Total, and CY RTU Asset Amortization Total should be zero, as July is the start of the current fiscal year.

If this is an early termination for this reporting fiscal year, select "Yes" to the question, "**Is this an early termination?"** Enter the information for the following to generate the entry in the output tab:

- **Obligation Balance as of June of the Prior Year**—enter the obligation balance from the prior year as of June from the original contract input tab of the GASB 96 SBITA Workbook.

- **Accumulated Amortization as of June of the Prior Year**—enter the accumulated amortization balance from the prior year as of June from the original contract input tab of the GASB 96 SBITA Workbook.

- **RTU Asset Carrying Value as of June of the Prior Year—**enter the right-of-use asset, carrying value balance from the prior year as of June, from the original contract input tab of the GASB 96 SBITA Workbook.

  For example, if the SBITA contract was modified on September 15, 2023, use the amounts in June 2023 from the original contract monthly payment information for ending or beginning monthly obligation, accumulated amortization, and right to use asset, carrying value at the end of the month.

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Do NOT enter any current year totals for interest, principal, and RTU asset amortization for early termination. Just leave the yellow fields blank in the box next to the contract information.

b. Contract Modification Monthly Payment Information

Enter the payments for the noncancelable months of the modified contract only. Please review the [GASB 96 Overview Part I](#) and [GASB 96 Business Process Part II](#) documents available on the SCO's website for the definition of noncancelable months. Enter zeros in the yellow cells where no payment is due during the subscription term. Leave payment cells blank for periods before the modified SBITA contract starts and after it ends.

Include the incentive payments that are fixed or fixed in substance (reduce the amount in the period received) from the SBITA, whereas variable or contingent incentive payments are not included.

2. Modification (No.) Output tab

Enter the following information related to the modified contract, using its related modified contract information:

- **Fiscal Reporting Year**—select the fiscal year for which you intend to report.

- **Was this modified SBITA included in your 20XX-20XX Annual Reporting Submission Workbook?—**this question is asking if the modified contract was reported to SCO (via the Annual Reporting Submission Workbook ["ARSW"]) in the prior fiscal year. Select "N/A" if this is a modified contract which did not exist in the prior year. Select "Yes" if the modified contract did exist last year and was properly submitted to SCO via the ARSW. Select "No" if the modified contract did exist last year, but the contract was accidentally/erroneously excluded from the ARSW last year, or if your department did not submit the ARSW before the deadline last year.

Function Expense code is automatically added based on agency's GAAP function. The journal entries are automatically generated based on the selection made above. Review the journal entries and verify their correctness.

- Entry #0 will only populate if the modified SBITA existed in the prior fiscal.

- Entries #1 and #2 are not applicable for modifications/terminations and will be hidden.

- Entries #3, #4, #5, and #6 will always populate, until the modified subscription term ends.

- Entry #7 will only populate in the year that the modified subscription term ends.

- Entry #8 will only populate if the modified SBITA decreases the department's right to use the underlying asset as a partial or full SBITA termination.

- Entry #9 will only populate if the modified SBITA contract results in a remeasurement that increases the right-to-use the underlying IT assets (e.g., increase in payments, increase in assets, and increase in term).

3. Modification (No.) Note Disclosure tab

Select "yes" or "no" for each question as appropriate.

Enter dollar amounts as needed.

The schedule of future interest and principal payments will populate in the worksheet with information calculated from the "Modification (No.) Input" tab according to the year selected by you in "Modification (No.) Output" tab.

IMPORTANT NOTE: This template has tabs for only Modification 1. However, your department may have more than one contract. These tabs have formulas linked to one another. To copy the tabs, you must first select all three tabs which include: Modification (No.) Input, Modification (No.) Output, and Modification (No.) Note Disclosure. Right click on the mouse and select Move or Copy from the context menu. This will open the Move or Copy dialog box. Keep the copy in the same workbook, GASB 96 SBITA Modification Template. Put a tick in the Create a copy box and click OK. Rename all the copied tabs as appropriate; for example, Contract 3 Input, Contract 3 Output, and Contract 3 Note Disclosure.

IV.   Closing

Now that you have completed the SBITA Modification Template, you will compile the SBITA Modification Templates and SBITA Templates to complete the Annual Reporting Submission Workbook. Additionally, retain copies of the modification template(s) and modified SBITA contract(s) in case CSA selects your department for audit.